Arizona State Retirement System

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ASRS News

ASRS updates asset allocation plan for investments

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The Arizona State Retirement System has adopted a new investment allocation plan for its investment portfolio that emphasizes a more diverse approach by shifting some funds away from U.S. stocks and low-yielding bonds.

The asset allocation plan was last significantly updated in October 2009, although periodic shifts in investment allocations are made regularly. This newly-revised plan was approved by the ASRS Board of Trustees on Friday, June 15. Shifts in investments will take place over an extended period, dictated by market conditions and the nature of the investment being made.

The overall goal of the new plan is to take advantage of investment opportunities in order to provide for increased returns through greater diversification. An investment allocation policy is a primary driver of overall investment returns. Currently, the ASRS manages a portfolio of approximately $26.8 billion.

The portfolio has been reclassified into three board categories – equities, or stocks, including U.S. and non-U.S. equities; fixed income, including bonds and debt (or credit opportunities); and inflation-linked assets, including commodities and real estate. In addition, the ASRS has several global tactical asset allocation strategies, which provide for the moving of assets based on global economic conditions.

Primary modifications from the previous asset allocation plan include a decrease in exposure to U.S. equities, from 40 percent to 33 percent; an increase in emerging market equities, from 3 percent to 6 percent; a decrease in U.S. core bonds, from 26 percent to 18 percent; and an increase in inflation-linked assets, from 9 percent to 12 percent.

The new investment allocation plan, which looks more at "economic drivers" of the global economy, was developed by ASRS staff, in consultation with various investment consultants, and input from the ASRS Investment Committee. An analysis shows that the new allocation could provide an overall increase in the expected rate of return on the total portfolio of approximately 1 percent when compared with the previous allocation plan.